

Message Text

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15

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

IO-13 NEA-10 L-03 H-02 PA-01 PRS-01 /105 W

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R 030738Z AUG 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 8661

AMEMBASSY MANILA

LIMITED OFFICIAL USE CANBERRA 5585

EO 11652: NA

TAGS: EAID, EFIN, AS

SUBJ: INCREASE IN ADB LENDING RATE - GOA REACTION

REF: STATE 188415

1. EMBOFF DISCUSSED CONTENTS REGTEL WITH KEANEY (UNTIL RECENTLY AUSTRALIAN EXECUTIVE DIRECTOR AT ADB) AND STUPARICH, BOTH OF OVERSEAS ECONOMIC RELATIONS DIVISION, THE TREASURY. FOLLOWING COMMENTS BASED ON PRIORITY ORDER LISTED PARA 10 REFTEL:

2. WHILE GOA BASICALLY AGREES WITH 9.15 PCT. RATE, IF IT APPEARS THAT STRONG CONSENSUS DEVELOPING FOR 9.10 PCT. RATE, GOA WOULD SUPPORT BECAUSE OF ITS "REGIONAL INTERESTS."

3. GOA BELIEVES THAT AUTOMATIC ADJUSTMENT OF ADB LENDING RATE ON A 5 BASIS POINT MOVEMENT IN IBRD LENDING RATE TOO SUDDEN AND FAVORS AUTOMATIC ADJUSTMENT ON A 10 BASIS POINT MOVEMENT. COMMENT: CANBERRA HAS APPARENTLY ACCEPTED OPINION OF CURRENT AUSTRALIAN EXECUTIVE DIRECTOR, HAROLD HEINRICH, THAT 5 BASIS POINT MOVEMENT TOO LITTLE END

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COMMENT.

4. KEANEY SAID THAT AUSTRALIA HAS ALWAYS BEEN IN FAVOR OF HIGHER COMMITMENT CHARGE AND THUS BASICALLY IN FAVOR OF IDEA OF .75 PCT CHARGE. NEVERTHELESS, HEINRICH HAS BEEN GIVEN SOME FLEXIBILITY IN THAT WHILE HE INSTRUCTED "SUPPORT HIGHER COMMITMENT CHARGES," HE NOT REQUIRED HOLD OUT FOR .75 PCT, BUT RATHER "TO WELCOME ANY INCREASE WHICH CAN BE ACHIEVED." KEANEY SAID THAT HENRICH HOPED FOR AT LEAST .50 PCT.

5. DEPT AND USADB WILL HAVE SURMISED UNFAVORABLE GOA POSITION ON QUESTION F PREMIUMS. KEANEY SAID THEY HAD NEVER LIKED IDEA AND CAN NOT SEE BASIS OR LOGIC IN PREMIUM CHARGE. HE ADDED THAT RIGHT NOW IT SEEMS PARTICULARLY INAPPROPRIATE WITH POSSIBILITY OF ADB BORROWING IN HONG KONG AND SINGAPORE. KEANEY FURTHER SAID THAT HE UNDERSTOOD IBRD LOAN FOR PORTUGUESE POWER PROJECT AND OTHER LOANS IN HIGHER INCOME COUNTRIES BEING MADE WITHOUT PREMIUM AND HE THUS CAN SEE NO REASON WHY ADB SHOULD INSIST ON PREMIUMS. HE ALSO SAID THAT AS A RESULT OF PREMIUMS HONG KONG AND SINGAPORE MIGHT BE EFFECTIVELY CUT OFF FROM ADB LOANS WITH CONSIDERABLE LOCAL POLITICAL REPERCUSSIONS, WHILE WITH RESPECT TO MAINTENANCE OF FINANCIAL STABILITY OF ADB, PREMIUMS HAD VERY LITTLE FINANCIAL EFFECT.

6. AS GOA HAS "NEVER BEEN IN FAVOR OF RETROACTIVITY", THEY WOULD OF COURSE GO ALONG WITH PROPOSAL TO ELIMINATE RETROACTIVITY ASPECT OF LENDING RATE INCREASE OUTLINED IN PARA 8 REFTEL.
HARGROVE

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